



## Targeted Areas: No Restrictions on Prior Home Ownership

### 1. Entire County

Alcona	Grand Traverse	Mecosta
Alger	Gratiot	Menominee
Allegan	Hillsdale	Missaukee
Alpena	Houghton	Montcalm
Antrim	Huron	Montmorency
Arenac	Ingham	Newaygo
Baraga	Ionia	Oceana
Barry	Iosco	Ogemaw
Benzie	Iron	Ontonagon
Berrien	Isabella	Osceola
Branch	Kalamazoo	Oscoda
Cass	Kalkaska	Otsego
Charlevoix	Keweenaw	Presque Isle
Cheboygan	Lake	Roscommon
Chippewa	Lapeer	St. Clair
Clare	Leelanau	St. Joseph
Crawford	Lenawee	Sanilac
Delta	Luce	Schoolcraft
Dickinson	Mackinac	Tuscola
Emmet	Manistee	Van Buren
Gladwin	Marquette	Washtenaw
Gogebic	Mason	Wexford

### 2. Cities and Townships (unincorporated areas only)

Parent County	Cities and Townships	Parent County	Cities and Townships
Bay	Bay City Gibson Twp. Mt. Forest Twp. Pinconning Twp.	Midland	Coleman Geneva Twp. Greensdale Twp. Jasper Twp. Lee Twp. Mills Twp. Mt. Haley Twp.
Calhoun	Albion Battle Creek Burlington Lee Twp.	Monroe	Luna Pier
Clinton	Maple Rapids Lebanon Twp. Ovid Twp.	Muskegon	Muskegon Muskegon Hts.
Eaton	Charlotte Olivet Vermontville Brookfield Twp. Roxand Twp.	Oakland	Pontiac Royal Oak Twp.
Genesee	Flint	Ottawa	Holland Chester Twp.
Jackson	Jackson Pulaski Twp.	Saginaw	Merrill Saginaw Brady Twp. Brant Twp. Chapin Twp. Marion Twp.
Kent	Grand Rapids Kent City Spencer Twp.	Shiawassee	Laingsburg Owosso Fairfield Twp. Hazelton Twp. Middlebury Twp.
Livingston	Howell Cohoctah Twp. Conway Twp. Iosco Twp.	Wayne	Detroit Ecorse Hamtramck Highland Park River Rouge
Macomb	Mt. Clemens		

NOTE: If you want to buy a home in an area that is not named on one of the above lists, that means the property is located in a Nontargeted Area. In Nontargeted Areas, you are not eligible for the Michigan Mortgage Credit Certificate program if you have owned a home as your principal residence within the last three years.



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Michigan State Housing Development Authority  
*Your Affordable Housing Partner*

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MSHDA 17 05/05

# Michigan's Mortgage Credit Certificate Program

*Your key to*  
**homeownership**

Michigan State Housing Development Authority  
*Your Affordable Housing Partner*

## Are you thinking about buying a new or existing home?

The Michigan State Housing Development Authority (MSHDA) and local lending institutions offer you another financing option: A Michigan Mortgage Credit Certificate, or MCC.

## What are MCC-assisted mortgage loans?

The Michigan Mortgage (Mortgage Credit Certificate Program) was authorized by Congress in the 1984 Tax Reform Act as a new concept for providing housing assistance to homebuyers. MSHDA is an issuer of the Mortgage Credit Certificates.

**The Mortgage Credit Certificate (MCC) reduces the amount of federal income tax you pay, thus giving you more available income to qualify for a mortgage and assist you with your house payments.**

MCCs are available to homebuyers who meet household income and home purchase price limits established by the state legislature and who are eligible under the federal regulations.

## How will the Michigan Mortgage assist my home purchase?

The federal government allows every homebuyer to claim an itemized federal income tax **deduction** for all of the interest paid each year on a mortgage loan.

A Michigan Mortgage makes this benefit to you even better: a certain percentage (20% for a household with income of \$30,000 or less, 10% for a household with income over \$30,000) of the mortgage interest will be a **credit** – that is, a dollar-for-dollar reduction of your tax liability. The remaining mortgage interest will continue to qualify as an itemized tax deduction.

The specific amount of the Michigan Mortgage credit depends on how much interest you pay on a mortgage loan obtained from your lender through this program. However, the amount of the credit cannot be more than your annual federal income tax liability after all other credits and deductions have been taken into account. Unused Michigan Mortgage credit can be carried forward three years for tax purposes.

Example: (based on 20% credit rate)

You obtain a Michigan Mortgage program loan of \$50,000 from your lender at an interest rate of 8 percent for 30 years. In the first year, you will pay \$4,000 in interest on this loan. You can receive a federal income tax **credit** of \$800 (20 percent of \$4,000). If your annual federal income tax is \$800 or more after all other credits and deductions have been subtracted, you will receive all the benefit of the MCC. Remember that 80 percent of the interest, or \$3,200, still qualifies as an itemized **deduction**.

To receive immediate benefit from the MCC, you would file a revised W-4 withholding form, and your federal tax withholding would be reduced by \$66 per month (\$800 divided by 12).

If your tax liability is less than \$800 - \$700 for example – your federal income tax is reduced for that year by \$700. Depending of your tax liability the following three years, you may be able to claim the remaining \$100 as a credit on subsequent tax returns.

For the loan in this example, the monthly payment for principal and interest is \$367. Reducing your federal taxes with the MCC credit gives you \$66 more in income each month to put towards the mortgage payment. From other sources you now have to come up with only \$301 (\$367 minus \$66 income from tax reduction) toward your \$367 monthly payment.

Applied to the mortgage payment, the extra cash flow from the MCC tax credit is like reducing the first-year interest cost from 8% to 6%.



## Where can I get a Michigan Mortgage Credit Certificate?

A number of banks, mortgage companies, and other lenders are participating in this Michigan Mortgage Credit Certificate program. You may obtain a Michigan Mortgage Credit Certificate in conjunction with financing your home purchase through any lender that has signed an MCC participation agreement with MSHDA. A list is available on our Web site at [www.michigan.gov/mshda](http://www.michigan.gov/mshda).

You apply for the credit certificate at the same time you make a formal application for a mortgage. Lenders vary in their requirements for mortgage loan application, but generally you will have made a purchase offer on a specific residential property and will be ready to supply credit information, employment data, and other information to the lender. There will be a non-refundable fee to make application for an MCC.

Talk to a participating lender to learn the application requirements.

Lenders will work with borrowers on a first-come-first-served- basis. There is no allocation of Michigan Mortgage Credit Certificates by lender or by geographic area. After you have made a formal application, the lender will call MSHDA to reserve an MCC for use in connection with your mortgage loan. This reservation will hold the MCC while your application is being processed by the lender and MSHDA.

## What are the loan terms?

That depends on the lender and the type of loan you use. Depending on the mortgage marketplace and your borrowing requirements, each lender can set its own interest rate, length of mortgage term, down payment requirement, credit and underwriting criteria, loan type, mortgage insurance requirement, fees, points, closing costs, and other loan terms.

Michigan Mortgage Credit Certificate-assisted mortgage loans are available with conventional, fixed-rate loans; adjustable rate loans; FHA and VA loans, and privately insured loans. **MCC's are not available with MSHDA's own loans, which carry a below-market fixed interest rate, or with refinanced loans.**

## How long does the credit certificate last?

Each year, the credit certificate will be calculated on the basis of the certificate credit rate times the interest you paid on your mortgage loan that year. The MCC will be in effect for the life of your **original** mortgage loan, so long as the home remains your principal residence. However, you cannot continue to take the credit if you refinance your property.

## What requirements are there?

Federal, IRS, and state regulations apply to everyone who obtains a Michigan Mortgage Credit Certificate. These include:

- You cannot have had an ownership interest in a principal residence at any time in the last three years, unless you apply for a loan in the targeted areas. You do not have to be a first-time homebuyer.
- The home you buy must be a single family residence and used as your principal residence after you obtain your mortgage.
- The mortgage loan must be a new loan, not the refinancing of an existing mortgage loan or land contract.
- Because the federal government considers the tax credit to be a subsidy, you may be subject to a federal “recapture tax” if you sell your home within nine years and realize a gain on the sale. The amount of such a tax depends on various factors at the time you sell or dispose of your home. Your lender will give you more details about the recapture tax.

